

COP29 as Seen from International Energy Landscape

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The 29th Conference of the Parties to the United Nations Framework Convention on Climate Change took place in the Azerbaijan capital of Baku on November 11-24. At COP29, which was extended by two days from the original closing date, an agreement came on the 2035 target for financial assistance to developing countries and the rules for the calculation and operation of emissions reductions and removals to be implemented under international cooperation (Article 6 of the Paris Agreement).

COP29 set a New Collective Quantified Goal on Climate Finance to raise annual financial assistance to developing countries from the current \$100 billion to at least \$300 billion by 2035. This year's COP was dubbed “finance COP” because assistance to developing countries was the biggest issue. Negotiations were difficult between developing countries, which sought \$1 trillion in annual assistance, and developed countries as assistance providers. A compromise was finally reached in the early hours of November 24 as the annual assistance target was increased from the \$250 billion proposed by Azerbaijan as COP29 chair to \$300 billion after the extension of the conference. At the same time, COP29 decided to call on all stakeholders, including public and private sectors, to increase funding for developing countries to at least \$1.3 trillion by 2035.

The agreement on Article 6 of the Paris Agreement had been left pending at past COP negotiations. At COP29, the agreement covered rules for the calculation of emissions reductions and removals for international transfers under voluntary international cooperation and the credit mechanism managed by the United Nations. It also finalized rules for an international carbon market expected to play an important role in promoting greenhouse gas emission reduction, after an outline of the rules was compiled at COP26. The finalization of the rules is expected to pave the way for the exploitation of the international carbon market.

COP29, though having made these achievements, reportedly highlighted various challenges. Without having participated in COP29, I am writing this essay based on indirect information such as media reports, statements by stakeholders and discussions with my colleagues. In the following, I analyze the decisions and challenges at COP29 from the perspective of the overall international energy landscape.

From a historical perspective, it seems to me that COP discussions have been influenced in various ways by the groundswell of international awareness of climate change issues at the time. In 2019, interest in climate change increased significantly worldwide as the performance of young environmental activist Greta Thunberg attracted global attention. In 2020 amid the enormous economic damage caused by the COVID-19 pandemic around the world, attention focused on what would happen to interest in climate change issues. As symbolized by the European Union's Green Deal, however, there was widespread awareness that enhanced climate change measures and investment in clean energy would be effective economic stimulation measures, leading to the

accelerated trend toward decarbonization where major countries declared carbon neutrality goals one after another. COP26 in 2021 was an important milestone that took over this trend. Under the ambitious leadership of the host country, the United Kingdom, COP26 reaffirmed the importance of the target of limiting global warming to 1.5°C and voluntary emission reduction targets for 2030. The trend toward enhancing measures against climate change came to fruition at COP26 as the Glasgow Climate Pact.

Later, however, the international situation surrounding climate change seemingly began to change. Energy price hikes came in the second half of 2021 and grew more serious with the outbreak of the Ukraine crisis in 2022, leading to the significant destabilization of the international energy market that led countries around the world to recognize the importance of energy security. The focus of interest in energy issues shifted from decarbonization only to the combination of energy security and decarbonization. However, the problem was that balancing energy security with decarbonization turned out to be a difficult challenge. In particular, it became clear that all countries in the world were vulnerable to energy cost hikes while seeking to balance energy security with decarbonization. While tackling high ideals and ambitious targets regarding climate change, many countries faced realistic economic and social issues and suffered from a gap between the ideal and the reality.

Further complicating climate change issues is the deepening division of the world. The escalating confrontation between the United States and China and between the West and the China-Russia group has led to a sudden increase in the importance of the so-called Global South. In addition, the North-South confrontation over climate change issues has been reignited and intensified as developing countries have seemingly become more dissatisfied with developed countries' pressure for more ambitious decarbonization targets. Essentially, international cooperation should be the most important factor in tackling climate change issues to protect global interests. Nevertheless, the deepening division of the world and the rise of the Global South have seriously affected cooperation. The deepening division has also prompted countries around the world to take a me-first approach. Furthermore, the world is moving in the direction of increasing energy transition costs as the escalating division of the world has led countries to grow conscious of economic security and deviate from free trade and the international division of labor. This has made international discussions on climate change more complicated and difficult.

Against this backdrop, last year's COP28 once again demonstrated the importance of pursuing the 1.5°C target and reducing global GHG emissions by 60% by 2035, emphasizing the enhancement of renewable energy expansion and energy efficiency. At the same time, however, COP28 in my view recognized the real-world difficulties in achieving ambitious targets and suggested the importance of mobilizing all available options, such as nuclear power, transitional fuels (natural gas), CCUS (Carbon Capture, Utilization, and Storage), and carbon removal. The issue of assistance to developing countries was highlighted as a major backlog then and became the focus of COP29.

Amid the abovementioned trends and backgrounds surrounding the international energy situation, COP29 made the above major achievements. Regarding financial assistance to developing countries, which is considered to be the most important, however, there are various challenges to be tackled. Although the annual assistance target was agreed at \$300 billion, it was reported that developing countries remained extremely dissatisfied. Realistically, however, whether even the agreed target of \$300 billion would be accomplished is uncertain. Even the current level worth \$100 billion had been far from easy to attain. Moreover, Donald Trump, known as reluctant to take climate action, will serve as U.S. president for four years from next year. U.S. interest in supporting developing countries to combat climate change may decline substantially. Europe and Japan also may find it difficult to manage to increase their assistance in a big way. After taking leadership in enhancing global

climate change measures, Europe itself is now suffering from the gap between the ideal and reality. In terms of funding, Europe is expected to come under pressure to shoulder high additional costs for security measures against Russia as far as the Trump administration continues. Under these circumstances, how to increase financial assistance to developing countries may be a difficult challenge for developed countries.

New energy and geopolitical problems may emerge as the United States (at least the federal government) reduces its interest in climate change measures under the Trump administration. Developing countries may grow even more dissatisfied with and critical of developed countries, leading developed countries' influence to decline. Under these circumstances, any further emphasis on ideal climate change measures may further encourage developing countries to hold developed countries responsible for global warming, leading to the escalation of the North-South confrontation. As the Global South and developing countries increase their influence amid a decline in U.S. and European presence, China's presence may increase further. Where will the COP go in the future under these circumstances? While the future is uncertain, there seems to be so many challenges to be addressed in the future of global climate change discussion and negotiation.

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